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MEMORANDUM FOR: Director of Central Intelligence
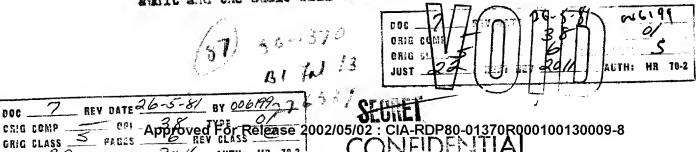
THROUGH: Deputy Director (Support)

SUBJECT: Audit of Sensitive Projects

1. Paragraph 5 of this memorandum contains a recommendation for your approval.

2. In recognition of the especially sensitive nature of some projects, such as _____, ITE, approval of the projects has contained strict limitation upon access to project information and documentation. Under present procedures, the Chief, Audit Staff, states that he is unable to conduct a satisfactory audit of such projects. He has requested my review of a selected list of fourteen projects with a view toward obtaining audit access, or relief from audit responsibility. This list of projects is attached at TAB A.

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3. A review of these projects has been made. Concurrently, representatives of the Deputy Director (Support) proposed new project administration and audit procedures which, when tailored to each case, will permit conclusive audit on a current basis within appropriate security restrictions. It was the consensus of the Staff and Division Chiefs concerned with the fourteen projects that an audit can be performed within satisfactory security restrictions under these new procedures. It is my view that such an audit is desirable.

4. The procedures proposed for project administration and audit of especially sensitive projects will vary somewhat depending upon the nature and complexity of the project but in every case will include the following:

a. The Staff or Division concerned will establish a "Financial Data Folder" which will be utilized to record or file pertinent project financial information. Such data will be sterilized to conceal sensitive names and operational techniques, but will contain sufficient information to show that funds advanced have been expended for the general purpose authorized.

b. One senior Auditor will be designated to perform each audit and the audit will be conducted within the offices of the

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Staff or Division concerned. Data available to the Auditor
will be limited to that contained in the "Financial Data Folder"
and such other information the Staff or Division Chief feels can
be revealed without endangering the security or cover of the
activity. All working papers, notes, etc., made by the senior
Auditor during the conduct of the audit will be stored in the
files of the Staff or Division concerned. No project data will
be removed from the offices of the Staff or Division.

c. Discussion by the senior Auditor of any matters pertain-
ing to the project activities will be confined to the Division or
Staff Chief, or their designated representatives. Audit reports
or exceptions made by the senior Auditor will be classified TOP
SECRET, and distribution will be limited on an "EYES ONLY" basis
to the Division or Staff Chief, the Deputy Directors concerned,
and the DCI where appropriate.

d. New projects which are considered too sensitive for
normal audit will, when submitted for approval, contain a state-
ment of the audit limitations. Recommended limitations may in
some cases include a delay of the audit during the time when the
operation may be at its peak of sensitivity.

5. It is recommended that you authorize the audit of existing
sensitive projects under the procedures and limitations described in
paragraph 4, above.

(Signed) Richard M. Bissell, Jr.
RICHARD M. BISSELL, JR.
Deputy Director
(Plans)

Attachment: TAB A

CONCUR:

/s/   2 3 MAY 1960

L. K. WHITE
Deputy Director
(Support)

The audit of sensitive projects
under the procedures and limita-
tions described in paragraph 4
above, is approved.

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Allen W. Dulles
Director

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Subject: Audit of Sensitive Projects

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